

IN RE: Petition of Duke Energy Carolinas, LLC for) ORDER REVOKING
Approval of an Accounting Order to Defer) APPROVAL OF
Certain Costs Related to Pension Plan) ORIGINAL PETITION
) AND APPROVING
) AMENDED PETITION TO
) DEFER CERTAIN
) PENSION PLAN COSTS

this time, it will include the proposed deferred costs in the next general rate case proceeding, which it expects to file sometime later this year.

As background to explain the need for these deferred pension costs, DEC states that its last general rate case, contained in Docket No. 2009-226-E, included \$3,574,000 of projected increased pension expenses for calendar year 2010 due to the downturn in the economy. This unusually large reduction in the fair value of pension assets triggered a need to provide additional funding for the Pension Plan in order to meet projected liabilities. To fulfill this need, the settlement agreement between the parties in that Docket specified the \$3,574,000 projected increase would be removed from base rates and recovered through an annually updated rider (“Pension Cost Rider”), which would account for the difference between the pension expense amount collected in base rates and the actual pension expense amount.¹ Commission Order No. 2010-79 set the initial pension cost rider at .0166 cents per kilowatt hour (kWh).

On November 30, 2010, Duke Energy Carolinas filed an Application for Approval of a Proposed Pension Cost Rider in Docket No. 2010-387-E. That Application sought approval of a pension cost rider that included estimated annual pension costs for the upcoming year along with a true-up to reflect actual pension costs in the prior year. The amounts requested to be recovered through the Pension Cost Rider were the approximately \$8.2 million return on South Carolina’s portion of the pension contributions and South Carolina’s portion of VOP and Mid-West Office Consolidation pension costs, which was approximately \$1.8 million. However, on February 24, 2011,

¹ Order No. 2010-79 (January 27, 2010), Exhibit No. 1, p.8, Docket No. 2009-226-E.

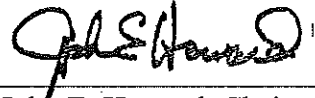
DEC filed an Amended Application for Approval of a Proposed Pension Cost Rider, in which it did not include a request to recover the return on pension contributions or the costs related to the VOP and Mid-West Office Consolidation pension costs. On March 26, 2011, the Commission approved the Company's Amended Application to be effective April 1, 2011. The updated Pension Cost Rider was set at .0089 cents per kWh effective for service rendered on and after April 1, 2011, and remains in effect today. The Pension Cost Rider does not include coverage for the return on pension contributions or the costs related to the VOP and Mid-West Office Consolidation pension costs.

DEC now states in its petition that, as of April 30, 2011, South Carolina's allocation of the return on pension contributions not included through the rider are approximately \$4 million, and the Company projects South Carolina's allocation will be approximately \$8 million by January 31, 2012. DEC states in its petition that the South Carolina allocation of the jurisdictional VOP and Mid-West Office Consolidation cost that is not included for recovery through the Pension Cost Rider is approximately \$1.8 million.

We grant the request of DEC to revoke approval of the original Petition and grant the Amended Petition to defer an estimated total of \$9.8 million, consisting of the projected \$8 million return on pension contributions and the \$1.8 million in costs related to VOP and Mid-West Office Consolidation pension costs, which will be subject to review in the Company's next general rate case. This accounting order will not preclude the Commission or parties from addressing the reasonableness of the costs deferred in the regulatory asset account in a future general rate proceeding.

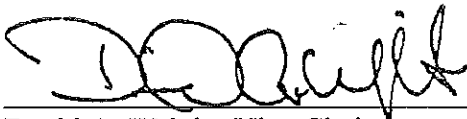
This Order shall remain in full force and effect until further order of the Commission.

BY ORDER OF THE COMMISSION:



John E. Howard, Chairman

ATTEST:



David A. Wright, Vice Chairman
(SEAL)